



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
JACKSON COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2001**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
[WWW.KYAUDITOR.NET](http://WWW.KYAUDITOR.NET)**

**144 CAPITOL ANNEX  
FRANKFORT, KY 40601  
TELE. (502) 564-5841  
FAX (502) 564-2912**



## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE JACKSON COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2001**

The Auditor of Public Accounts has completed the Jackson County Fiscal Court audit for fiscal year ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Fund balances decreased by \$105,613 from the prior fiscal year, resulting in a cash surplus of \$131,527 as of June 30, 2001. Revenues increased by \$74,174 from the prior year and disbursements decreased by \$168,976.

#### **Report Comments:**

- The County Should Spend 30% of Coal Production Receipts On Roads

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.



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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Tommy Slone, Jackson County Judge/Executive  
Members of the Jackson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Jackson County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Jackson County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Jackson County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2001 of Jackson County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Tommy Slone, Jackson County Judge/Executive  
Members of the Jackson County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated June 6, 2002 on our consideration of Jackson County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Jackson County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The County Should Spend 30% of Coal Production Receipts On Roads

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
June 6, 2002

JACKSON COUNTY OFFICIALS

Fiscal Year Ended June 30, 2001

**Fiscal Court Members:**

Tommy Slone	County Judge/Executive
Leon Bingham	Magistrate
Vestor Rose	Magistrate
Chad Vaughn	Magistrate

**Other Elected Officials:**

George T. Hays	County Attorney
Ronnie Gabbard	Jailer
Jerry W. Dean	County Clerk
Bobby G. Morris	Circuit Court Clerk
Tim Fee	Sheriff
Paul N. Rose	Property Valuation Administrator
Murrell Lakes	Coroner

**Appointed Personnel:**

Patricia Gabbard	County Treasurer
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**STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS**

JACKSON COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2001

Assets and Other Resources

Assets

General Fund Type

General Fund:			
Cash	\$	60,311	
Road and Bridge Fund:			
Cash		4,665	
Jail Fund:			
Cash		3,501	
Local Government Economic Assistance Fund:			
Cash		3,206	
Forestry Fund:			
Cash		457	
Transfer Station Fund:			
Cash		26,542	
City of Annsville:			
Cash		1,722	
Payroll Revolving Account - Cash+A57		1,364	\$ 101,768

Special Revenue Fund Type

DES Fund:			
Cash	\$	18,962	
Recreation and Parks Fund:			
Cash		12,161	31,123

Other Resources

General Fund Type

Kentucky Infrastructure Authority Water Expansion Project Fund:			
Amounts to be Provided in Future Years From			
Jackson County Water Association		1,343,178	
Total Assets and Other Resources			\$ 1,476,069

The accompanying notes are an integral part of the financial statements.

JACKSON COUNTY  
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
ARISING FROM CASH TRANSACTIONS  
June 30, 2001  
(Continued)

Liabilities and Fund Balances

Liabilities

General Fund Type

Payroll Revolving Account	\$	1,364
Kentucky Infrastructure Authority Water Expansion Project Fund: Note Payable (Note 5)		1,343,178

Fund Balances

Reserved:

General Fund Type

Forestry Fund	\$	457	
Transfer Station Fund		<u>26,542</u>	26,999

Special Revenue Fund Type

DES Fund	\$	18,962	
Recreation and Parks Fund		<u>12,161</u>	31,123

Unreserved:

General Fund Type

General Fund	\$	60,311	
Road and Bridge Fund		4,665	
Jail Fund		3,501	
Local Government Economic Assistance Fund		3,206	
City of Annville Fund (Note 8)		<u>1,722</u>	<u>73,405</u>

Total Liabilities and Fund Balances		<u>\$ 1,476,069</u>
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The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

JACKSON COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2001

	General Fund Types			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 2,092,624	\$ 816,279	\$ 948,104	\$ 62,907
Transfers In	308,487	98,487		195,000
Total Cash Receipts	\$ 2,401,111	\$ 914,766	\$ 948,104	\$ 257,907
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 2,197,287	\$ 742,838	\$ 886,538	\$ 285,158
Schedule of Recreation and Parks Fund Expenditures	7,169			
Transfers Out	308,487	210,000	98,487	
Total Cash Disbursements	\$ 2,512,943	\$ 952,838	\$ 985,025	\$ 285,158
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (111,832)	\$ (38,072)	\$ (36,921)	\$ (27,251)
Cash Balance - July 1, 2000	243,359	98,383	41,586	30,752
Cash Balance - June 30, 2001	\$ 131,527	\$ 60,311	\$ 4,665	\$ 3,501

The accompanying notes are an integral part of the financial statements.

JACKSON COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
Fiscal Year Ended June 30, 2001  
(Continued)

General Fund Types				Special Revenue Fund Types	
Local Government Economic Assistance Fund	Forestry Fund	Transfer Station Fund	City of Annville Fund	DES Fund	Recreation and Parks Fund
\$ 37,854 15,000	\$ 2,229	\$ 166,481	\$ 1,722	\$ 43,914	\$ 13,134
\$ 52,854	\$ 2,229	\$ 166,481	\$ 1,722	\$ 43,914	\$ 13,134
\$ 72,416	\$ 2,407	\$ 152,998	\$	\$ 54,932	\$
					7,169
\$ 72,416	\$ 2,407	\$ 152,998	\$	\$ 54,932	\$ 7,169
\$ (19,562) 22,768	\$ (178) 635	\$ 13,483 13,059	\$ 1,722	\$ (11,018) 29,980	\$ 5,965 6,196
\$ 3,206	\$ 457	\$ 26,542	\$ 1,722	\$ 18,962	\$ 12,161

The accompanying notes are an integral part of the financial statements.

JACKSON COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Jackson County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Jackson County Recreation and Parks Board as part of the reporting entity.

The Jackson County Recreation and Parks Board is established for the purpose of maintaining and overseeing the day-to-day operations of the county parks. The Jackson County Fiscal Court is financially accountable for the Board; therefore, management must include the Board as a part of the reporting entity and its financial activity is blended with that of the Fiscal Court.

Additional - Jackson County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Jackson County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Jackson County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Jackson County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Forestry Fund, Transfer Station Fund, and City of Anville Fund.

JACKSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The DES Fund and the Recreation and Parks Fund of the Fiscal Court are reported as Special Revenue Fund Types.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Jackson County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget is not required to be adopted for the Recreation and Parks Fund.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

JACKSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Jointly Governed Organization

The Jackson County McKee Industrial Development Authority, whose purpose is to acquire and develop industrial sites and plants for the community, is a joint board of the County and City. The County Judge/Executive with the approval of the fiscal court appoints three members and the Mayor with the approval of the city council appoints three members. The County has no equity interest. The County did not contribute any funds to the Jackson County McKee Industrial Development Authority for the year ended June 30, 2001.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2001, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

JACKSON COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2001  
 (Continued)

Note 4. Lease-Purchase Agreements

The county has entered into the following lease-purchase agreements:

Description	Purchase Date	Maturity Date	Interest Rate	Principal 6/30/01
Loader	May-00	May-04	6.65%	\$ 43,807
Ambulance	August-00	December-03	6.85%	\$ 34,307

Note 5. Contingent Liability

In October 1993, the county obtained a Water Resources Loan from the Kentucky Infrastructure Authority (KIA) on behalf of the Jackson County Water Association. The loan was to provide for two, 100,000-gallon storage tanks, two pump stations, modifications of two existing pump stations, telemetry for these systems, and 19.8 miles of water distribution lines to serve 253 new customers. Although the county borrowed on behalf of the Jackson County Water Association, the Water Association is responsible for maintaining the expansion improvements, collecting related water revenues, and making the debt service payments. The total loan amount was \$1,792,633 and is to be paid over a period of 20 years at an interest rate of 2.45% per year beginning December 1, 1995. Debt service payments are due from the Water Association on December 1 and June 1. As of June 30, 2001, the Jackson County Water Association is in compliance with the terms of the loan and the outstanding principal balance is \$1,343,178.

Note 6. Community Development Block Grant Loan Repayment

The county loaned \$125,000 to Phillips Diversified Manufacturing, Inc. on March 23, 1995, for the purpose of purchasing equipment. Terms of the agreement stipulate a 7-year repayment schedule at 4% interest. Repayments of loan principal and interest by Phillips Diversified Manufacturing, Inc., are made to the Jackson/McKee Industrial Development Authority. As of June 30, 2001, Phillips Diversified Manufacturing, Inc. is in substantial compliance with the terms of the agreement.

Note 7. Insurance

For the fiscal year ended June 30, 2001, Jackson County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

JACKSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 8. Dissolution of the City of Annville

On November 7, 2000, the voters in the City of Annville voted to dissolve the City of Annville in Jackson County. In accordance with KRS 81.094, within thirty days of the certification of the election results, which was November 15, 2000, all assets of the city became the property of the fiscal court.

COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



JACKSON COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2001

<u>Budgeted Funds</u>	Budgeted Operating Revenue	Actual Operating Revenue	Over (Under) Budget
<u>General Fund Type</u>			
General Fund	\$ 785,340	\$ 816,279	\$ 30,939
Road and Bridge Fund	1,007,853	948,104	(59,749)
Jail Fund	55,091	62,907	7,816
Local Government Economic Assistance Fund	68,000	37,854	(30,146)
Forestry Fund	2,000	2,229	229
Transfer Station Fund	142,000	166,481	24,481
<u>Special Revenue Fund Type</u>			
DES Fund	<u>40,000</u>	<u>43,914</u>	<u>3,914</u>
Totals	<u>\$ 2,100,284</u>	<u>\$ 2,077,768</u>	<u>\$ (22,516)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 2,100,284
Add: Budgeted Prior Year Surplus			<u>340,000</u>
Total Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 2,440,284</u>

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SCHEDULE OF OPERATING REVENUE



JACKSON COUNTY  
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2001

<u>Revenue Categories:</u>	Totals (Memorandum Only)	GOVERNMENTAL FUND TYPES	
		General Fund Type	Special Revenue Fund Type
Taxes	\$ 528,739	\$ 528,739	\$
In Lieu of Tax Payments	72,625	72,625	
Excess Fees	20,046	20,046	
Intergovernmental Revenues	1,251,046	1,207,132	43,914
Charges for Services	164,835	164,835	
Miscellaneous Revenues	25,584	12,651	12,933
Interest Earned	29,749	29,548	201
 Total Operating Revenue	 \$ 2,092,624	 \$ 2,035,576	 \$ 57,048

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



JACKSON COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2001

GENERAL FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 376,397	\$ 361,178	\$ 15,219
Protection to Persons and Property	538,050	511,380	26,670
General Health and Sanitation	244,665	220,252	24,413
Social Services	4,000	4,000	
Recreation and Culture	27,000	17,079	9,921
Roads	812,566	748,723	63,843
Debt Service	29,000	26,690	2,310
Capital Projects	14,000	5,000	9,000
Administration	324,606	248,053	76,553
TOTAL BUDGET - ALL GENERAL FUND TYPES	\$ 2,370,284	\$ 2,142,355	\$ 227,929
SPECIAL REVENUE FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	\$ 70,000	\$ 54,932	\$ 15,068
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	\$ 70,000	\$ 54,932	\$ 15,068

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SCHEDULE OF RECREATION AND PARKS FUND EXPENDITURES



JACKSON COUNTY  
SCHEDULE OF RECREATION AND PARKS FUND EXPENDITURES

Fiscal Year Ended June 30, 2001

<u>Expenditure Items</u>	
Utilities	\$ 1,802
Grounds Maintenance	1,602
Supplies	411
Dues	20
Miscellaneous	49
Repairs	635
Rentals	100
Equipment	<u>2,550</u>
Totals	<u>\$ 7,169</u>

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Tommy Slone, Jackson County Judge/Executive  
Members of the Jackson County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Jackson County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated June 6, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Jackson County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards, which is described in the accompanying comment and recommendation.

- The County Should Spend 30% Of Coal Production Receipts on Roads

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jackson County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
June 6, 2002

COMMENT AND RECOMMENDATION



JACKSON COUNTY  
COMMENT AND RECOMMENDATION

Fiscal Year Ended June 30, 2001

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

The County Should Spend 30% Of Coal Production Receipts On Roads

During our audit of Local Government Economic Assistance (LGEA) funds, we discovered that no funds were spent for the county road system for FY 01. In accordance with KRS 42.455, thirty percent (30%) of all Coal Production receipts in the fund shall be spent on the coal haul road system. The remaining seventy (70%) of the fund shall be spent on priority categories. Jackson County received Coal Production funds totaling \$21,146. Of this amount, \$6,344 (30%) should have been spent on the coal haul road system. As of June 30, 2001, the LGEA Fund has a remaining balance of \$3,206; therefore, the General Fund should transfer \$3,138 to the LGEA Fund for a total of \$6,344 to be designated for the county coal haul road system. In the future, LGEA Fund spending should be monitored to ensure compliance with KRS 42.455.

*County Judge/Executive Tommy Slone's Response:*

*Per auditor recommendation, on June 11, 2002, the LGEA monies will be transferred from the General Fund, in the amount of \$3,138 and \$6,344 will be designated to be spent on coal haul roads.*

PRIOR YEAR FINDINGS

None.



**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**JACKSON COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2001

Appendix A



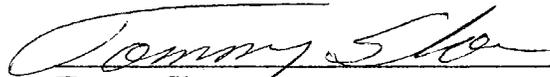
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

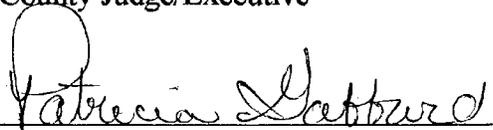
JACKSON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Jackson County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended with the exception of not spending 30% of Coal Production receipts for the coal haul road system as dictated by the applicable Kentucky Revised Statutes. Per the Department for Local Government, the Jackson County Fiscal Court will transfer \$3,138 from the General Fund to the LGEA Fund and designate a total of \$6,344 of FY 2001 LGEA Fund monies for the coal haul road system.



Tommy Slone  
County Judge/Executive



Patricia Gabbard  
County Treasurer